

Nonmetro Displaced Workers Face Less Hardship Than Metro Displaced Workers

During 1993-95, 4 million workers were displaced from their jobs, of which 775,000 (19 percent) were nonmetro workers. Although the displacement rate was similar for nonmetro and metro workers, nonmetro displaced workers were less likely to be unemployed at the survey date, found a new job faster, and had less earnings loss on the new job than did metro displaced workers. The nonmetro displaced worker was likely to be male, have at most a high school diploma, and be working as an operator, fabricator, or laborer.

During 1993-95, over 4 million workers lost their jobs due to economic restructuring. Economic restructuring—such as that from import competition, technological advances, or firm restructuring and downsizing—can cause economic dislocation as workers lose their jobs. Displacement occurs even though the economy is expanding. Workers may experience hardship in the form of joblessness or lower earnings when a new job is found.

This article examines the displaced worker experience during 1993-95 for metro and nonmetro areas using data from the Bureau of Labor Statistics survey on displaced workers. Are nonmetro workers displaced more or less often than metro workers? Is the hardship for nonmetro displaced workers greater or less than for metro displaced workers?

What Is Displacement?

Displaced workers “...are individuals with established work histories who have lost their jobs through no fault of their own and who are likely to encounter considerable difficulty finding comparable employment” (Browne). Displacement is considered structural unemployment, not unemployment due to economic cycles or due to the normal matching process between workers and employers.

The Bureau of Labor Statistics, in its 1996 Displaced Worker Survey, defines displaced workers as being 20

years or older who lost or left jobs because their plant or company closed or moved, there was insufficient work, or their position or shift was abolished. This last reason for displacement—position or shift abolished—includes mass layoffs. In addition, only those with 3 or more years of tenure with their employer are analyzed here. This restriction is to exclude short-tenured workers whose job loss may be due only to a poor match between employer and worker. It also ensures that those included have an established work history and an attachment to their industry sector and their occupation and thus have developed industry- and employer-specific skills that make it costly for them to take another job.

I also restrict analysis to workers under age 65, because workers 65 or older would be eligible for full Social Security benefits, softening the hardship from displacement. Consequently, displaced workers under age 65 are more of a concern from a policy standpoint.

Three Federal programs are available to assist displaced workers, and one Federal program is available to assist employers. The Worker Adjustment and Retraining Notification Act (WARN) requires employers to provide notice 60 days before covered plant closings and covered mass layoffs. The Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) provides retraining and readjustment services to displaced workers and needs-related payments to those who have exhausted their unemployment insurance benefits. Both of these programs are 1988 amendments to Title III of the Job Training Partnership Act. The North American Free Trade Agreement Transitional Adjustment Assistance Program

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(NAFTA-TAA) is similar to EDWAA and was established as part of NAFTA in 1993. The Trade Adjustment Assistance Program of the Trade Act of 1974 provides technical assistance to firms facing import competition. The technical assistance includes diagnosing the firm's problems, assessing opportunities, and developing a recovery strategy.

Nationally, job displacement in the 1980's was primarily in the goods-producing industries (Hipple). By the mid-1990's, a broader range of industries were affected, and over half of displacement came from the service-producing industries. A broader range of occupations were represented as well, with an increased risk of displacement for white-collar workers.

In the early to mid-1980's, disproportionately more displaced workers were from rural areas than from urban areas (Swaim). In addition, rural displaced workers experienced more hardship from losing their jobs than did urban displaced workers. Because rural areas lagged urban by several economic indicators during the 1980's—lower employment growth, higher unemployment rates, and slower growing incomes and earnings—it follows that those rural workers who were displaced would have greater difficulty finding a new job and maintaining their old earnings level.

The general economic situation in the early 1990's was much improved for rural areas over that of the 1980's. After the recession of 1990-91, rural areas showed strong economic performance and outperformed metro areas by several measures in the recovery years of 1991-94. In par-

ticular, nonmetro employment growth was strong and unemployment was low. In 1995, nonmetro employment growth continued but at a lower rate. Given this favorable economic environment, nonmetro displaced workers would not be expected to face disproportionate hardship.

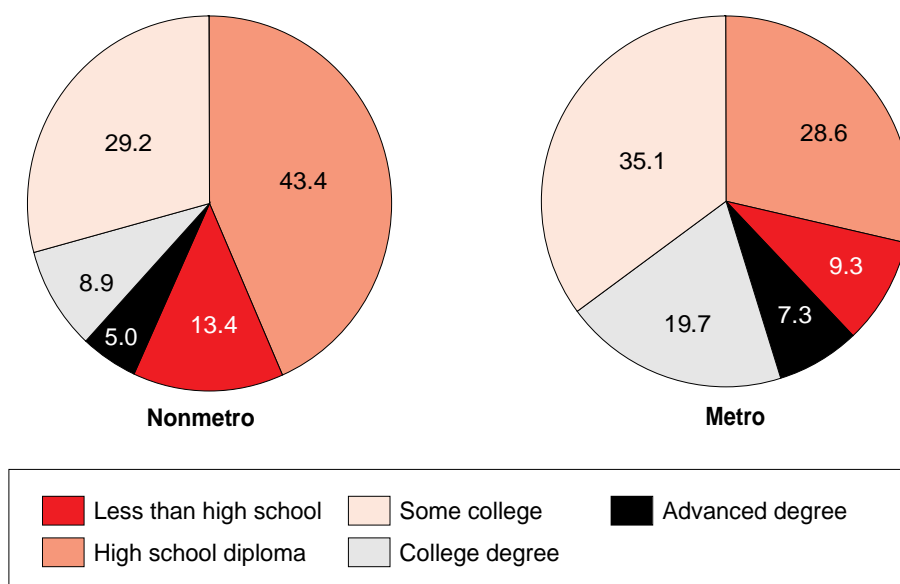
Nonmetro Displaced Face Less Hardship Than Metro Displaced

Of the 4 million displaced workers during 1993-95, 775,000 were nonmetro workers (19 percent) (table 1). This number is proportional to the nonmetro share of the labor force. For the most part, the nonmetro displaced experience over 1993-95 is about the same as the metro experience. However, there are some notable differences.

The nonmetro displaced were, on average, older than the metro displaced, and had longer tenures on their lost job. The nonmetro displaced had lower educational levels than the metro displaced (fig. 1). Over half, about 57 percent, of the nonmetro displaced had at most a high school diploma, versus 38 percent of the metro displaced. This high share of displacement is not surprising, however, for it corresponds to the share of the nonmetro labor force that has at most a high school diploma.

A larger share of the nonmetro displaced than the metro displaced moved following displacement, 20 percent versus 13 percent. Of those who moved, about 60 percent of the nonmetro displaced did so to look for work or to take a different job, whereas only 50 percent of the metro displaced who moved did so for a new job.

Figure 1
Highest level of education of displaced workers, 1993-95
Over half of nonmetro displaced had at most a high school diploma



Source: ERS estimates from Displaced Worker Survey supplement from February 1996 Current Population Survey, BLS.

Table 1

Displaced workers, 1993-95*Nonmetro workers displaced in 1993-95 were less likely to be unemployed at 1996 survey date*

Item	Nonmetro		Metro
		<i>Thousands</i>	
Displaced workers	775		3,256
		<i>Percent</i>	
Men	56.7		56.7
Nonwhite	6.8		14.5
		<i>Years</i>	
Age	41.7		40.9
		<i>Percent</i>	
Age distribution:			
20-24 years	4.4		3.5
25-34 years	27.5		25.9
35-44 years	27.9		33.8
45-54 years	23.5		25.9
55-64 years	16.7		11.0
Education level:			
Less than high school diploma	13.4		9.3
High school diploma	43.4		28.6
Some college	29.2		35.1
College degree	8.9		19.7
Advanced degree	5.0		7.3
Why displaced?			
Plant or company closed or moved	46.7		43.0
Insufficient work	24.8		24.1
Position or shift abolished	28.5		32.8
Usually worked full-time on lost job	88.1		90.3
Received written advance notice of job loss	40.9		43.9
Received unemployment insurance benefits	49.9		52.4
Exhausted eligibility for unemployment insurance benefits	45.0		44.0
Moved to a different city or county since lost job	20.0		13.3
Of those who moved, move was to look for work or take a different job	59.3		49.9
		<i>Years</i>	
Tenure on lost job	10.2		8.9
		<i>Percent</i>	
Tenure distribution:			
3 up to 5 years	27.7		35.9
5 up to 10 years	33.9		33.0
10 up to 20 years	23.8		20.4
20+ years	14.6		10.7
Currently unemployed	8.0		14.0
Currently employed	76.5		74.7
Currently not in labor force	15.5		11.3

Source: ERS estimates from Displaced Worker Survey supplement from February 1996 Current Population Survey, BLS.

The nonmetro displaced were much less likely to be unemployed than the metro displaced at the time of the survey. The unemployment rate among the displaced was only 8 percent for nonmetro workers, and 14 percent for metro. In comparison, the overall unemployment rate for 1996 was 5.5 percent for nonmetro areas and 5.4 percent for metro areas.

Although the nonmetro displaced were less likely to be unemployed at the survey date, they were equally likely to be employed. About three-quarters of both the nonmetro and metro displaced were employed when surveyed. The remainder of the displaced—those neither

employed nor unemployed—were not in the labor force at the time of the survey. Consequently, 15.5 percent of the nonmetro displaced had dropped out of the labor force by 1996, versus 11 percent of the metro displaced. For both nonmetro and metro displaced, about one-quarter of those who had dropped out of the labor force retired, about 6 percent were out for a disability, and about 70 percent were out for other reasons.

The nonmetro displaced found a new job, on average, 2 weeks earlier than the metro displaced (table 2). The nonmetro displaced were more likely than the metro displaced to have a jobless spell of less than 6 months,

Table 2

Displaced workers, 1993-95: those employed at survey date*Nonmetro displaced workers found jobs sooner than metro displaced workers*

Item	Nonmetro	Metro
<i>Weeks</i>		
After job loss, average time before working again	11.9	14.4
<i>Percent</i>		
Jobless duration:		
0 up to 3 months	65.8	63.0
3 up to 6 months	17.8	15.0
6 up to 12 months	8.5	12.7
12 up to 24 months	7.5	8.1
24+ months	.3	1.3
Percentage whose current job is in a different industry than lost job	59.5	62.0
Percentage whose current job is in a different occupation than lost job	65.4	61.5
<i>1996 dollars</i>		
Median weekly earnings on lost job	378.23	546.33
Median weekly earnings on current job	350.00	440.00
<i>Percent</i>		
Ratio median current job earnings to median lost job earnings	92.5	80.5
Share of workers who found a new job but at lower real weekly earnings	63.2	65.2

Note: The Personal Consumption Expenditure Price Index, Bureau of Economic Analysis, was used to adjust weekly earnings.

Source: ERS estimates from Displaced Worker Survey supplement from February 1996 Current Population Survey, BLS.

whereas the metro displaced were more likely to be jobless for 6 months or more (22 percent versus 16 percent). Roughly the same share of nonmetro and metro displaced changed industries or occupations to find a new job.

Although median weekly earnings were greater for the metro displaced both in the lost job and the current job when surveyed, the nonmetro displaced did much better in maintaining their earnings level. The median nonmetro current job earnings were 92 percent of the median lost job earnings, whereas the replacement ratio for metro workers was only 80 percent. About two-thirds of both the metro and nonmetro displaced found new jobs, but at lower real earnings than their lost jobs.

Nonmetro Workers Displaced at Same Rate as Metro Workers

Nonmetro workers were displaced at essentially the same rate (5.5 percent) as metro workers over 1993-95 (table 3). The displacement rate is the number of displaced workers in a group of employed workers in the same group, age 20-64, with 3 or more years of tenure with their employer.

Although rates of displacement were generally the same for nonmetro workers as for metro workers, several notable differences appear. Nonmetro workers who were younger than 35 or older than 55 had higher displacement rates than nonmetro workers age 35-54, and also higher rates than metro workers in those same age groups.

Among industries, mining and manufacturing both had high displacement rates—10.3 percent and 8.3 percent, respectively—among the nonmetro rates, but both of these were lower than the corresponding metro rates, 16.5

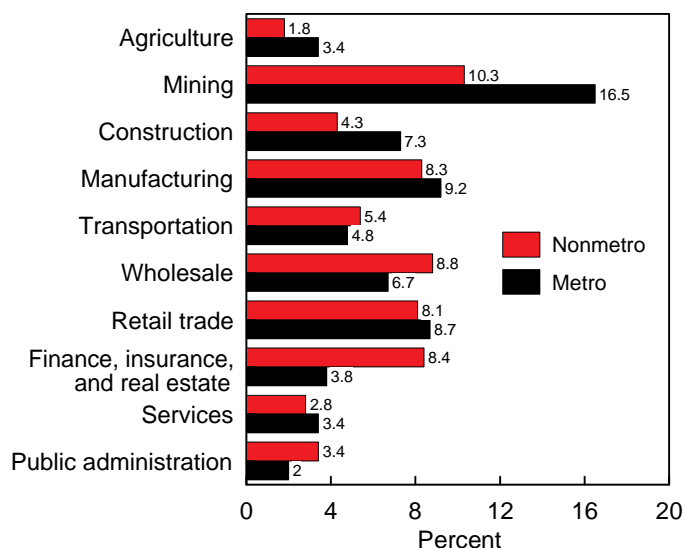
percent and 9.2 percent (fig. 2). For the other two goods-producing industries, agriculture and construction, the nonmetro rates were roughly half the metro rates.

For the service-producing industries, the nonmetro rates were about the same as for metro areas, except for wholesale trade—8.8 percent for nonmetro versus 6.7 percent metro; finance, insurance, and real estate—8.4 percent versus 3.8 percent; and public administration—3.4 percent versus 2.0 percent. The largest share of public

Figure 2

Displacement rates by industry, 1993-95

In wholesale trade and finance, insurance, and real estate, nonmetro displacement rates were higher than metro



Source: ERS estimates from Displaced Worker Survey supplement from February 1996 Current Population Survey, BLS.

Table 3

Displacement rates, 1993-95*Nonmetro workers were equally likely to be displaced as metro workers*

Item	Nonmetro rate	Metro rate	Nonmetro rate/metro rate
	<i>Percent</i>		<i>Ratio</i>
Total	5.5	5.6	0.99
Age distribution:			
20-24 years	6.3	5.2	1.22
25-34 years	7.0	6.2	1.13
35-44 years	4.8	5.6	.85
45-54 years	4.7	5.4	.88
55-64 years	6.1	4.8	1.28
Men	5.6	5.7	.97
Women	5.4	5.4	1.01
White	5.6	5.6	1.00
Nonwhite	4.2	5.1	.82
Education level:			
Less than high school	6.4	6.0	1.07
High school diploma	5.7	5.2	1.11
Some college	5.9	6.9	.86
College degree	3.8	5.4	.71
Advanced degree	4.3	3.5	1.21
Industry:			
Agriculture	1.8	3.4	.53
Mining	10.3	16.5	.62
Construction	4.3	7.3	.58
Manufacturing	8.3	9.2	.90
Transportation, communications, utilities	5.4	4.8	1.13
Wholesale trade	8.8	6.7	1.30
Retail trade	8.1	8.7	.93
Finance, insurance, and real estate	8.4	3.8	2.24
Services	2.8	3.4	.82
Public administration	3.4	2.0	1.71
Occupation:			
Executive, administrative, and managerial	6.2	5.5	1.13
Professional specialty	3.1	3.8	.82
Technicians and related support	5.1	5.6	.91
Marketing and sales	7.3	6.1	1.20
Administrative support, including clerical	5.1	6.5	.78
Service	2.7	3.3	.81
Operators, fabricators, and laborers	9.4	7.4	1.27
Agriculture, forestry, fishing, and related	1.7	2.3	.73

Source: ERS estimates from Displaced Worker Survey supplement from February 1996 Current Population Survey, BLS.

administration displaced workers (from government jobs) in nonmetro areas was from local government, whereas the largest share for metro areas was from Federal Government.

By occupation, the highest rate of displacement for both nonmetro and metro areas was for operators, fabricators, and laborers—9.4 percent for nonmetro, 7.4 percent for metro. This occupational group is associated with the goods-producing industries and manufacturing in particular.

Nonmetro Areas Have Benefited From the Economic Expansion of the 1990's

Nonmetro workers are not being displaced disproportionately, nor are they at greater risk of displacement than metro workers. This is a reversal of the 1980's,

when nonmetro workers were found to be at greater risk of displacement.

In addition, nonmetro displaced workers appear to be facing less hardship than metro displaced workers. The nonmetro displaced had a lower unemployment rate, fewer weeks of joblessness, and less earnings loss than the metro displaced. This situation is again a reversal of the 1980's, when the nonmetro displaced had longer periods of joblessness and greater wage loss than the metro displaced.

Nevertheless, nonmetro displaced median earnings on the current job were only 80 percent of metro median earnings. In addition, the lower educational levels and older average age of the nonmetro displaced may be a cause for concern in that nonmetro displaced workers may be at a disadvantage in seeking higher-paying jobs.

Data and Methodology

Data used are from the 1996 Displaced Worker Survey (DWS) supplement of the Current Population Survey (CPS). The CPS is a monthly survey of about 47,000 households, which is conducted by the Bureau of the Census for the U.S. Department of Labor, Bureau of Labor Statistics (BLS). BLS releases the data. The 1996 DWS was conducted in February 1996, and all respondents were asked, "During the last 3 calendar years, that is, January 1993 through December 1995, did (you/name) lose or leave a job because a plant or company closed or moved, (your/his/her) position or shift was abolished, insufficient work, or another similar reason?" If yes, the respondent was asked a series of questions concerning the job lost and subsequent labor market experience. These questions on displacement are in addition to the demographic and labor force data in the basic monthly CPS.

Displaced workers are workers 20 or older who have lost or left jobs because their plant or company closed or moved, there was insufficient work, or their position or shift was abolished. Workers on temporary layoff, quits, or firings for cause are not considered displaced. Only workers with 3 or more years of tenure at the lost job, and who are under age 65 are included in the analysis here. Workers displaced from both full-time and part-time jobs are included.

Nonmetro displaced workers cannot be accurately identified in the DWS. Metro/nonmetro status at the time of the interview was recorded, but not previous residence for those who moved in the previous 3 years. Most displaced workers—80 percent of nonmetro and 87 percent of metro—did not move. I analyzed the nonmovers and the results (not presented here) were essentially the same as those presented in table 1. Thus, because the results for all displaced and for nonmover displaced are very similar, the results presented would be essentially the same as if metro/nonmetro status over the previous 3 years was available in the data.

Metro areas are defined by the Office of Management and Budget (OMB) as core counties containing a city of 50,000 or more people or an urbanized population or at least 50,000 with a total area population of at least 100,000. Additional contiguous counties are included in the Metropolitan Statistical Area if they are economically and socially integrated with the core county. *Nonmetro* areas are counties outside metro area boundaries. After each decennial census, OMB re-evaluates the metro/nonmetro status of each county. In 1993, OMB issued a metro/nonmetro classification based on the 1990 Census. In this last reclassification, 13 counties that were metro were reclassified as nonmetro, and 111 counties that were nonmetro were reclassified as metro, resulting in a net 98 counties newly metro. Also after each decennial census, BLS redesigns the CPS sample to reflect the population. The new CPS sample and the new OMB metro/nonmetro classification were phased into the CPS during April 1994-June 1995. Because of this phasing in, getting consistent CPS metro/nonmetro figures for 1994-95 is not possible from the publicly available CPS data.

Displacement rates are usually calculated by dividing the number of displaced workers in a specified worker group by a tenure-adjusted (that is, 3 or more years of tenure with their employer) average over the displacement period (1993-95) of the number of employed workers in the specified worker group. Because of the reclassification of metro/nonmetro in 1993 and the phase-in of the new classification over 1994-95 into the CPS, a meaningful denominator cannot be estimated for 1993-95. Consequently, I used a tenure-adjusted estimate of each worker group from the February 1996 basic CPS. Because 1993-96 was a period of employment growth, using 1996 data may make the denominators larger and the displacement rates smaller than if a 1993-95 average could be calculated. Seasonal factors may make the denominators smaller and the displacement rates larger.

Information on the Federal programs assisting displaced (dislocated) workers and their employers is available on the Internet. For more information on the Job Training Partnership Act, see Department of Labor's website, www.dol.gov/, and look under Programs/Services. For more information on NAFTA Trade Adjustment Assistance, see the DOL site under Employment and Training Administration. For more information on the Trade Adjustment Assistance Program, see Department of Commerce's website, www.doc.gov, and look under Economic Development Administration.

For Further Reading . .

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